

EXHIBIT KK

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO

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In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,
as representative of
THE COMMONWEALTH OF PUERTO RICO, et al.
Debtor,

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In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO
as representative of
THE EMPLOYEES RETIREMENT SYSTEM OF
THE GOVERNMENT OF THE
COMMONWEALTH OF PUERTO RICO,
Debtor.

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Two Vesey Street
New York, New York
June 6, 2019
10:03 A.M.

1 EXAMINATION BEFORE TRIAL of JAIME EL KOURY, the
2 Witness herein, taken by the attorneys for the
3 respective parties, pursuant to Notice, held at the
4 above-stated time and place, before Melissa
5 Leonetti, RPR, a Notary Public of the State of New
6 York.

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1 J. EL KOURY

2 questions I can answer for you?

3 A. Nothing right now.

4 Q. Can you just for the record give us your
5 full name and your address.

6 A. Jaime, J-A-I-M-E, middle initial A, last
7 name is two words, E-L K-O-U-R-Y. My address is

8 [REDACTED]

9 [REDACTED]

10 Q. Are you represented by counsel here
11 today?

12 A. Yes.

13 Q. Who is your counsel?

14 A. The firm of Proskauer with Margaret Dale
15 and Will Dalsen.

16 MR. STEWART: Let's mark as Exhibit 1 a
17 curriculum vitae of the witness.

18 (Whereupon, a CV was marked as Exhibit
19 1 for identification, as of this date.)

20 Q. Mr. El Koury, the court reporter has
21 placed before you Exhibit 1.

22 Is Exhibit 1 you're curriculum vitae?

23 A. Yes, it is.

24 Q. Is it -- does it remain accurate or has
25 anything about it changed?



1 J. EL KOURY

2 A. It's accurate.

3 Q. At some point you went to work for the
4 Puerto Rican Financial Oversight and Management
5 Board?

6 A. Yes, sir.

7 Q. Which I will call the board, if that's
8 acceptable to you.

9 Just by way of background, what is the
10 board?

11 A. The board is a creature of statute of the
12 financial -- I'll use the short name, PROMESA.
13 Within PROMESA, the board is established as the
14 Financial Oversight and Management Board for Puerto
15 Rico.

16 Q. Okay. Where is the board located?

17 A. The board's main offices are in San Juan.

18 Q. Does it also have offices in other
19 places?

20 A. Yes, I have an office in New York.

21 Q. How many people work for the board?

22 A. I can only give an approximate number.

23 Q. That's fine.

24 MS. DALE: As of today, I assume,
25 Geoff?



1 J. EL KOURY

2 MR. STEWART: Yes.

3 A. I would say 20 to 30. It's approximate.

4 Q. When did you begin working at the board?

5 A. February 17, 2017.

6 Q. And what was your title when you took the
7 job?

8 A. General counsel.

9 Q. Is that still your title today?

10 A. Yes, sir.

11 Q. In a nutshell, can you tell me what your
12 responsibilities are as the general counsel of the
13 board.

14 A. I oversee all legal matters, which
15 include litigation, internal legal procedural
16 matters, and working with the board members in terms
17 of governance and legal procedures.

18 MR. STEWART: First of all, there was a
19 beep in the line. Did anyone else join the
20 deposition on the telephone?

21 MR. POSSINGER: Yes, Geoff. It's Paul
22 Possinger from Proskauer.

23 Q. Do you have a staff as general counsel at
24 the board?

25 A. I have one person who works with me.



1 J. EL KOURY

2 Q. What documents did you look at?

3 MS. DALE: I'm going to object. What
4 we showed Mr. El Koury is our work product.

5 And I'm going to direct you not to
6 answer that question.

7 Q. Did any of these documents refresh your
8 recollection?

9 A. Yes.

10 Q. Okay. Can you tell me which ones
11 refreshed your recollection?

12 A. There was a fiscal plan, which we had
13 certified on March 13, 2017, and there were the
14 budget resolutions that we certified on June 30,
15 2017.

16 Q. Anything else?

17 A. Not that comes to my mind immediately.

18 Q. Okay. In the course of your preparation,
19 did you speak with anyone other than counsel to
20 learn facts to impart here today in your deposition?

21 A. Yes. I spoke with Andrew Biggs, who is a
22 board member.

23 Q. Okay. Anyone other than Mr. Biggs?

24 A. In terms of facts, no.

25 Q. What topics did you discuss with



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Mr. Biggs?

A. We spoke about the different kinds of pension plans, specifically defined benefit plans versus defined contribution plans, and the way those plans are generally funded.

Q. Did Mr. Biggs show you any documents or refer you to any documents in the course of your discussion?

A. No.

Q. Okay. How long was your discussion with Mr. Biggs?

A. About 30 to 25 minutes. B-I-G-G-S.

Q. Was that here in New York or was it --

A. It was by telephone.

Q. Is he in Puerto Rico?

A. He is in -- he's on the West Coast.

Q. Okay. Do you remember anything else -- let me back up.

What did you say to Mr. Biggs and he say to you in your phone conversation?

A. We discussed generally the -- the plans that Puerto Rico has for its retirees.

Q. Did you discuss the Pay-Go system that Puerto Rico now uses for some of its retirement



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plans?

A. Yes.

Q. What did you say to him and he say to you about the Pay-Go system?

A. My recollection is that he said that this is a system that he's generally used for funding retirement plans, defined benefit plans.

Q. Generally used in Puerto Rico or generally used in other places, too?

A. In other places.

Q. Did he say anything more about Pay-Go plans?

A. Not to my recollection.

Q. Okay. Was -- while we're on the subject, were Pay-Go plans something you were already familiar with from your work on the board?

MS. DALE: In terms of time?

MR. STEWART: When he spoke with Mr. Biggs.

A. Yes.

Q. Okay. And when did you first learn about Pay-Go plans?

A. When we were working on the fiscal plan that was certified on March 13, 2017.



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2 would like. There's a point of the document here
3 where they talk about something called additional
4 uniform contributions or AUCs.

5 Is that a term you've heard before?

6 A. Only yesterday in preparation for the
7 deposition.

8 (Whereupon, a letter was marked as
9 Exhibit 4 for identification, as of this
10 date.)

11 Q. Mr. El Koury, the reporter's placed
12 before you a document stickered as Exhibit 4. I
13 represent to you that in a previous deposition, that
14 of Mr. Yassin, it was marked as Exhibit 5. But for
15 our purposes here today, we're going to deal with it
16 as number 4.

17 My question to you is whether you have
18 seen this document before?

19 A. I saw it yesterday.

20 Q. That's the first time you saw it?

21 A. It may have been in the packet of the
22 documents that I reviewed a few days ago, but my
23 most vivid recollection is that I saw it yesterday.

24 Q. Okay. Couple of questions about it.
25 It's authored by Jose Carrion. He's the chair of



1 J. EL KOURY

2 the board?

3 A. Yes.

4 Q. I'm going to show you part of it. Even
5 though you haven't seen it, if you could look at
6 page 3. Let me back up.

7 Can you tell by looking at the document
8 what it is?

9 MS. DALE: Objection to the form.

10 You can answer.

11 THE WITNESS: May I answer?

12 MS. DALE: Sure.

13 A. I believe this is what we normally call a
14 notice of violation.

15 Q. Okay. What is a notice of violation?

16 A. Under Section 201 of PROMESA, there is a
17 process by which a fiscal plan is certified, and one
18 of the steps in that process is to issue, if
19 required, a notice of violation reciting the
20 deficiencies of a fiscal plan.

21 Q. Okay. If you can -- if you can, what's
22 the -- what happens when the board issues a notice
23 of violation?

24 A. The concept is that the government of
25 Puerto Rico will then revise the fiscal plan to deal



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2 with the violations that are noticed in the letter.

3 Q. Okay. On page 3, paragraph 3 -- let's go
4 look at actually page 2 at the bottom. Here it
5 states -- it starts with the words "consistent with
6 these principles, the board requests."

7 Do you see the language?

8 A. Yes.

9 Q. Consistent with these principles, the
10 board requests that the plan be amended to reflect
11 the principles stated above as well as the following
12 points.

13 And then next page, paragraph 3, it
14 says: Incorporate a revised baseline forecast to
15 reflect Pay-Go funding for pension benefits.

16 And then it goes on to say other
17 things.

18 What is a revised baseline forecast, if
19 you know?

20 A. It's a -- my familiarity with that
21 concept starts when I arrived at the board. My
22 recollection is that it is the basis upon which then
23 the projections, the five-year projections of a
24 fiscal plan, are placed.

25 Q. Then it continues to say: To reflect



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2 Pay-Go funding for pension benefits.

3 Do you see that?

4 A. Yes, sir.

5 Q. Did there come a time after you joined
6 the board where you came to understand what the
7 phrase "Pay-Go funding for pension benefits" meant?

8 A. Yes.

9 Q. What did it mean?

10 A. It means that -- my understanding is that
11 it means that pension payments are made out of the
12 general fund of the government.

13 Q. Is that something you learned soon after
14 joining the board in mid-February 2017?

15 A. I would say it's something that I -- that
16 I learned and I keep learning.

17 Q. Okay.

18 MR. STEWART: I'm going to ask the
19 reporter to skip a number so it has the same
20 number as it did in the Yassin deposition, a
21 previous deposition.

22 Madam Reporter, can you mark this as
23 Exhibit 6, with the understanding we've
24 skipped over Exhibit 5.

25 (Whereupon, a fiscal plan was marked as



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2 Q. About that very day, did you not?

3 A. Yes.

4 Q. I'm sorry.

5 A. That's okay.

6 Q. Sorry for my confusion there.

7 So actually --

8 MS. DALE: Objection. I think the
9 testimony was that he arrived on February
10 17th.

11 MR. STEWART: That's true. I've
12 confused the chronology terribly here.

13 Q. It came to the board in late February
14 2017?

15 A. Yes, the last day of February.

16 Q. Do you know when it was that you saw it
17 for the first time?

18 A. It must have been sometime in March.

19 Q. Do you know why it was a document that
20 was given to you to look at?

21 A. This was in preparation for our own
22 certificating of a fiscal plan which could have been
23 the one that was submitted by the government
24 February 28th.

25 Q. If you could -- actually, this would be a



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2 good time, if you could, to walk me through -- and
3 you don't have to do it in excessive detail -- what
4 the steps were in -- that the board would take in
5 certifying or choosing not to certify a fiscal plan.

6 MS. DALE: I would just note that I
7 think this is outside the scope of the topics
8 of the deposition noticed for today.

9 To the extent you can answer that, you
10 should.

11 A. Step number one is we request -- we set
12 out a schedule for the government to submit a fiscal
13 plan, a proposed fiscal plan. The second step is we
14 review that submission. The third step is we issue
15 a notice of violation if that fiscal plan has
16 deficiencies in our view. The fourth step is that
17 the government submits a revised fiscal plan.

18 Throughout that process until step
19 four, there are discussions with the government.
20 And then depending on the revisions that the
21 government has made on step four, we either
22 proceed to certify the government's fiscal plan or
23 we certify the board's own fiscal plan.

24 There is also a procedure within
25 PROMESA whereby the government and the board may



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2 adopt a consensual fiscal plan.

3 Q. Okay. Thanks.

4 So let's look at Exhibit 6 in
5 particular. Let's, if we could, start with -- I
6 guess let's go over the document generally very
7 quickly.

8 The document has a number of sections;
9 is that not correct? It has an executive summary.
10 It goes on for a number of pages. And then
11 starting about slide 11, there's a background
12 section that goes on for a time. And then there
13 are a number of particular categories, such as
14 revenue enhancement and rightsizing and other
15 things that the government addresses in the course
16 of its fiscal plan.

17 Is that a very broad, if not overbroad,
18 summary of how the fiscal plan is structured?

19 A. Yes.

20 MS. DALE: There's also a table of
21 contents on slide 3.

22 MR. STEWART: Yes. Would have been a
23 very good way to start that. Yeah.

24 Q. Let's go, if we could, back to slide 62,
25 which is entitled Pension Reform.



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2 Do you have slide 62 before you?

3 A. Yes, sir.

4 Q. Okay. It says here -- on the left side
5 under Current, you see there's sort of a table
6 underneath the graphic. And Reform Measures is one
7 heading of the table. Current State is another
8 heading. And the third is -- Specific Initiatives
9 is yet a third heading.

10 Under Reform Measures, it says:
11 Contribution segregation and new benefit plans.

12 Does that generally describe the reform
13 measures the government was proposing in this
14 fiscal plan?

15 MS. DALE: Objection to the form of the
16 question.

17 A. Yes.

18 Q. Under Current State, there are two
19 bullets, and I want to focus on the second one. It
20 says: All three pension systems are severely
21 underfunded and are projected to deplete their
22 assets in the near future.

23 Do you see where I'm reading from?

24 A. Yes, sir.

25 Q. Was that a true statement, to the best of



1 J. EL KOURY

2 your knowledge, at the time you received this fiscal
3 plan?

4 A. Yes, sir.

5 Q. And then over to the right, the
6 government has written specific initiatives?

7 A. Uh-huh.

8 Q. The top bullet says: Switch to Pay as
9 You Go model to cover remaining defined benefit
10 obligations.

11 Do you understand what that was
12 referring to?

13 A. Generally, yes.

14 Q. Okay. And generally speaking, what were
15 they describing in here?

16 A. The method of funding going forward of
17 defined benefit plans of the government.

18 Q. What would the method of funding be?

19 A. Pay as You Go.

20 Q. Under the Pay as You Go as shown here,
21 who would actually be paying the pensions to
22 retirees?

23 MS. DALE: Objection to the form. Are
24 you asking him as of the time that he
25 reviewed this --



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2 MR. STEWART: Yes. Exactly.

3 MS. DALE: If you know at the time you
4 were reviewing this who was going to be the
5 payor.

6 A. That would be -- if it's out of the
7 general fund of the government, that would be the
8 Puerto Rico taxpayer.

9 Q. Thanks. Okay.

10 Were the sources for those funds to
11 come from anywhere other than general tax
12 revenues, if you know?

13 A. To the best of my knowledge, no. That
14 would be the source of funding.

15 Q. Okay. At page 96-97, there's a page
16 called -- a reference to something called a fiscal
17 cliff?

18 MS. DALE: Can you give us more
19 direction.

20 MR. STEWART: It's at the top of 97,
21 but it refers back to the bottom of 96.

22 A. Yes, sir.

23 Q. What was or is a fiscal cliff?

24 MS. DALE: Objection. Outside the
25 scope of the topics he's here to testify



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2 transfer funds to the TSA beginning January 2018 and
3 April of 2018 respectively.

4 A. Uh-huh.

5 Q. First of all, what is the TSA?

6 A. I believe the TSA is the central treasury
7 account managed by Hacienda in Puerto Rico.

8 Q. Just for the record, can you tell us what
9 Hacienda is?

10 A. It is the Department of the Treasury of
11 Puerto Rico.

12 Q. So it says under pension asset depletion:
13 Assumes ERS and TRS run out of liquid assets.

14 Do you know why it was they would be
15 running -- ERS, at least, would be running out of
16 liquid assets?

17 A. No, sir.

18 Q. Okay. I think you had mentioned when you
19 were describing the fiscal plan process that there
20 was a -- this is my word -- timeline -- I think that
21 was your word -- for things to be done, and let's
22 look, if we could, at slide 113.

23 Do you have 113 before you?

24 A. Yes, sir.

25 Q. Is this the implementation timeline for



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2 pensions under the fiscal plan?

3 A. That's what the slide says.

4 Q. Okay. And when you -- when you saw this
5 document, that's what you understood this to be?

6 A. I did not focus on this page.

7 Q. Okay. The top few lines are about legal
8 pension implementation timeline. It says "legal"
9 over on the right.

10 A. Yes, sir.

11 Q. Did any of those things involve you or
12 your staff at the board?

13 A. No.

14 Q. Who was to handle the legal side of this
15 pensions implementation?

16 A. My understanding is this would be the
17 government of Puerto Rico.

18 Q. Okay. And just so it's clear, because
19 there are a lot of parties here, the government of
20 Puerto Rico is the Commonwealth.

21 Would you include ERS in your
22 definition of the government of Puerto Rico or
23 would you view that as not being in the government
24 of Puerto Rico, as you have just used that term?

25 A. As I used the term in terms of



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2 implementing fiscal plan initiatives, I use it more
3 in terms of AAFAF and the executive. But it would
4 be AAFAF.

5 Q. Okay. Who from -- did you work with any
6 lawyers from AAFAF on implementing pension reform?

7 MS. DALE: Objection to the form.
8 Foundation.

9 A. Answer is no.

10 Q. Did you work with lawyers from AAFAF at
11 any time on anything?

12 MS. DALE: Objection to the form.

13 A. During the course of --

14 Q. Yes. I'm actually trying to find the
15 name of any lawyer from AAFAF who you know. That's
16 really my question.

17 A. I deal with the legal staff, particularly
18 with those matters that they have to bring to us
19 under PROMESA. For instance, contracts that we
20 review under PROMESA. So I deal with them on that.

21 Q. Who do you deal with the most from the
22 legal staff at AAFAF?

23 A. Mohammed Yassin, Y-A-S-S-I-N.

24 Q. Under strategy, there are four lines
25 under slide 113. The bottom line says -- well,



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2 Do you know what employer contributions
3 they were talking about here?

4 A. Just generally.

5 Q. Okay. What did you know about employer
6 contributions?

7 A. That employer contributions are used to
8 fund the pension system.

9 Q. Okay. Contributions from whom?

10 A. From employers, and employers would be in
11 the public sector context. My understanding is that
12 they include municipalities. They include public
13 corporations. And the central government.

14 Q. Do you know why this referred to
15 segregation of employer contributions?

16 A. I do not, no.

17 Q. Or why it spoke of segregation of
18 employer contributions of public corporations that
19 generate revenue?

20 A. No, I do not -- I do not know.

21 Q. At the time this plan was being analyzed
22 by the board, what did the board instruct the
23 government to do in terms of handling of employer
24 contributions?

25 A. To the best of my knowledge, there were



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2 no instructions to that effect.

3 Q. Okay. Do you know what --

4 MR. STEWART: Withdraw that.

5 (Whereupon, a fiscal plan was marked as
6 Exhibit 5 for identification, as of this
7 date.)

8 Q. Mr. El Koury, the report's placed before
9 you Exhibit 5, which also was marked, I think, as
10 Exhibit 22 in another deposition, but in your
11 deposition. We're going to go with Exhibit Number
12 5. Okay?

13 A. Uh-huh.

14 Q. Do you have it before you?

15 A. Yes, sir.

16 Q. Can you tell me what this is.

17 A. This is the fiscal plan that was
18 certified but subject to an additional -- additional
19 provisions that were included in the certification.

20 Q. Okay. Is this a document you've seen
21 before?

22 A. Yes, sir.

23 Q. And one that you worked with in the
24 course of your work for the board?

25 A. Yes, sir.



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2 Q. You said it was certified with the --
3 subject to additional provisions?

4 A. Uh-huh.

5 Q. Did that mean a new plan had to be
6 presented, or this plan was accepted but the
7 additional provisions were just appended to it one
8 way or the other?

9 A. This plan was accepted with the
10 additional provisions.

11 Q. Let's look, if we could, at slide number
12 10.

13 A. (Witness complies.)

14 Q. You see there are three bullet points
15 down below the table?

16 A. Yes, sir.

17 Q. I have just one minor question on the
18 first bullet point. I'm going to read it into the
19 record. My question is about language at the end of
20 it.

21 It says: Cash flows post measures
22 before debt service trends.

23 And bullet one says: FY2017 estimate
24 of \$0.8B, declining to a low of \$0.4B, and FY2018,
25 driven by GNP contraction and ERS Pay-Go



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2 contributions of \$1.0B and FY2018.

3 My question is: Do you know what is
4 referred to here when this bullet point speaks of
5 ERS Pay-Go contributions?

6 A. Generally, yes.

7 Q. What is your understanding?

8 A. That this would be the Pay-Go funding for
9 the pension system, for the defined benefit plans.

10 Q. Funding coming from whom?

11 A. From the central government. From the
12 general fund.

13 Q. So its contributions by the general fund
14 to ERS Pay-Go?

15 A. That would be my understanding of this.

16 Q. Okay. Let's look, if we could, at slide
17 number 13.

18 A. (Witness complies.)

19 Q. Do you have 13 before you?

20 A. Yes, sir.

21 Q. Okay. Category number 5 speaks about
22 Pay-Go contributions in excess of asset balance.

23 Do you see that?

24 A. Yes, sir.

25 Q. Do you know what that's referring to?



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2 A. Pay-Go contributions, yes. The phrase
3 "in excess of asset balance" is a little challenging
4 for me.

5 Q. Okay. Do you have any understanding of
6 what that means?

7 A. Not really.

8 Q. Okay. The description talks about
9 required Pay-Go contribution.

10 Do you see that?

11 A. Yes, sir.

12 Q. Do you know who was making that required
13 contribution?

14 A. I would say that that's the general fund,
15 the government's general fund.

16 Q. And then on the far right side, there are
17 two bullet points. The second one says: Steady
18 growth in expenses starting in 2020.

19 Do you know what expenses are being
20 referred to here?

21 A. No, sir.

22 (Whereupon, a summary was marked as
23 Exhibit 7 for identification, as of this
24 date.)

25 Q. Mr. El Koury, the reporter's placed



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before you the document marked as Exhibit 7.

Have you seen Exhibit 7 before?

A. Yes, sir.

Q. Can you tell me what it is.

A. This is a summary of the additional provisions that were part of the certified fiscal plan of March 13.

Q. These were additional provisions that the board added to the fiscal plan?

A. Yes, sir.

Q. Let's look, if we could, at page 3.

A. (Witness complies.)

Q. Do you have page 3 before you?

A. Yes, sir.

Q. Okay. It's entitled Amendment to Pension Section, and do you understand that to be an amendment to the pension section of the fiscal plan we just looked that had been marked as Exhibit 5?

A. Yes, sir.

Q. Okay. The first bullet point under current situation says, and I'm starting in the middle of it: The government's plan does not achieve the magnitude of savings that the board believes represents an equitable sharing of burden.



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2 Do you see where I've read?

3 A. Yes.

4 Q. What is the magnitude of savings being
5 referred to there?

6 A. I believe it refers to the pension
7 payments projected to the future.

8 Q. So it refers to reducing pension
9 payments?

10 A. Yes, sir.

11 Q. I see. By the way, before this amendment
12 was prepared by the board, I assume everything in it
13 was discussed within the board?

14 MS. DALE: You can answer that yes or
15 no.

16 A. Yes.

17 Q. Who was involved in that discussion?

18 MS. DALE: You may answer that question
19 identifying the people.

20 A. Pension matters are important to the
21 board; therefore, almost all of them were involved
22 in that discussion.

23 Q. Was there anyone on the board's staff who
24 was particularly active in the discussion of matters
25 related to the amendment of the pension section?



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2 A. There was not much staff at that time.
3 You're looking at the staff.

4 Q. Okay.

5 A. It was a discussion that involved the
6 advisors, including legal advisors and strategic
7 financial advisors.

8 Q. You can stop there.

9 Was there anyone on the staff of the
10 board at that time who was thought to have special
11 expertise in matters involving pensions and
12 retirement plans?

13 A. Within the staff, no.

14 Q. Who were the advisors the board relied
15 upon in dealing with amending the pension section of
16 the fiscal plan?

17 A. To the best of my recollection, it was a
18 combination of McKinsey, Proskauer, and to a certain
19 degree of my recollection, there is a little -- my
20 recollection is somewhat vague on that, but it would
21 include Ernst & Young.

22 Q. Who from Ernst & Young?

23 A. The main person at that point was Adam
24 Chepenik. Should I spell that?

25 MS. DALE: Sure.



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2 A. C-H-E-P-E-N-I-K.

3 Q. Anyone else from EY?

4 A. Guarov Malhotra.

5 Q. Who from McKinsey?

6 A. From McKinsey, it would be Bertil
7 Chappuis, C-H-A-P-P-U-I-S. He would be the lead
8 person. There were others.

9 Q. Okay.

10 Going back to the same part of the same
11 page we were looking at, the last bullet point
12 under current situation says: The board believes
13 annual pension savings of -- then there's a
14 tilde -- 200MM beginning in FY2020 are necessary.

15 Do you know where the number of 200
16 million came from?

17 A. No.

18 Q. Under the next section, it says
19 principles to be adhered to, and the first bullet
20 point says: The board resolves to amend the
21 government's fiscal plan to achieve the target
22 savings based on the following design principles.

23 My first question is a simple one. It
24 says the board resolves to amend. When the board
25 made this amendment, did it have an actual board



1 J. EL KOURY

2 meeting?

3 A. Yes.

4 Q. It was a formal resolution drafted and
5 proposed to the board?

6 A. Yes, sir.

7 Q. And voted upon by the board?

8 A. Yes, sir.

9 Q. Was the presentation made to the board by
10 anyone to show the board what was being proposed?

11 A. Yes.

12 Q. Who made the presentation?

13 A. There were -- just to --

14 MS. DALE: I'm just going to caution
15 you not to disclose what the presentation was
16 but rather --

17 THE WITNESS: Right.

18 Q. Just the names.

19 A. Just as a point of information, the board
20 has -- the board's meetings, this was done in a
21 public meeting, and the minutes of the board's
22 proceedings are public and are on our website, and
23 that includes reference to the presentations that
24 were made.

25 Q. Okay.



1 J. EL KOURY

2 A. To the best of my recollection, the
3 presentation was made by our executive director at
4 the time, Mr. Ramon Ruiz, R-U-I-Z, and by both
5 representatives of McKinsey and Ernst & Young.

6 Q. And the presentations they made, were
7 they PowerPoints put up on the screen or was it more
8 of a talk?

9 A. My recollection is that they were oral
10 presentations.

11 Q. And the board voted to adopt the
12 amendment?

13 A. That's right. The board voted to certify
14 the fiscal plan with the amendments.

15 Q. Who drafted the amendment?

16 A. The amendment was drafted by the board.

17 Q. Any particular person?

18 A. It was a group endeavor.

19 Q. Was it drafted on the spot during the
20 board meeting or had it been prepared before the
21 public meeting?

22 A. It was prepared before.

23 Q. How long before?

24 A. About one or -- one day before. One or
25 two days before.



1 J. EL KOURY

2 Q. Did all the board members participate in
3 the drafting or just a few?

4 A. The actually drafting, only a few, and
5 then it was presented to the whole board.

6 Q. Were you involved in the actual drafting?

7 A. I believe I was.

8 Q. Okay. Who wrote the very first draft?

9 A. I believe it was a combination of Anna
10 Mato Santos, who was a board member; I believe
11 Carlos Garcia, who's another board member.

12 Perhaps, although my recollection is
13 somewhat vague, Andrew Biggs was also involved in
14 that group. And then Proskauer lawyers took a
15 hand at that first draft.

16 Q. Did Proskauer have a lawyer who was an
17 expert in pension plans that worked with you on it?

18 A. (No verbal response given.)

19 Q. Who was the Proskauer lawyer?

20 A. The actual drafting, that process, the
21 person I was interacting with, Martin Bienenstock.

22 Q. Were there any dissenting votes when the
23 amendment was voted upon?

24 A. No, sir.

25 Q. In the same section, see there are five



1 J. EL KOURY

2 little dashes there? The third dash says:
3 Progressively reduce annual benefit outlays by 10
4 percent while preventing retirees from falling into
5 poverty.

6 Do you see what I just read?

7 A. Yes, sir.

8 Q. What is that a reference to?

9 A. That is a reference to the cuts in the
10 pension benefits going forward by 10 percent but
11 providing for a -- but providing for a safety net in
12 terms of retirees who may fall into poverty.

13 Q. Okay. At the bottom, the bottom category
14 is entitled Process Going Forward, and the first
15 bullet point says -- I'm going to read it: Over the
16 next 30 days, the government and the board will work
17 together to craft policies that preserve jointly
18 agreed-upon principles, achieve necessary savings
19 targets, and adequately fund pensions.

20 Who from the government and who from
21 the board worked together on this project?

22 A. To the best of my recollection, there was
23 no actual working together on this. There was no
24 process.

25 Q. I see. What happened instead?



1 J. EL KOURY

2 MS. DALE: Objection to the form of the
3 question.

4 A. To the best of my recollection, the
5 government worked on these policies.

6 Q. Okay.

7 A. Without the board.

8 Q. Without the board. Okay. What part of
9 the government? AAFAF? ERS? Central government?

10 A. I would be speculating, but I would
11 assume it would be AAFAF.

12 MS. DALE: Don't speculate.

13 Q. Do you know who from AAFAF? I assume the
14 answer is no.

15 A. No.

16 Q. Okay. Let's look at the next bullet.
17 I'm going to read it again, but show it to the
18 reporter.

19 It says: The board will finalize its
20 decisions on pensions by June 30, 2017, in
21 alignment with the budget timing.

22 What was it that was to be finalized by
23 June 30, 2017?

24 A. I don't know.

25 Q. When it says here "its decisions on



1 J. EL KOURY

2 pensions," are those decisions anything other than
3 what we've seen in the amendment to the pension
4 section on this page?

5 A. No, sir.

6 Q. Do you know what is meant when it says
7 finalize its decisions?

8 A. Implement decisions.

9 Q. Okay.

10 MS. DALE: For the record, again, this
11 document that we're looking at, Exhibit 7, is
12 the summary of the amendment. It's not the
13 actual amendment. So I just want to make it
14 clear on the record when you're reading from
15 this document, it's not the actual text of
16 the amendment that was enacted, proved.

17 MR. STEWART: Okay.

18 (Whereupon, a resolution was marked as
19 Exhibit 8 for identification, as of this
20 date.)

21 Q. Mr. El Koury, the reporter has placed
22 before you the document marked as Exhibit 8. The
23 first page is the certification of a translator, but
24 the rest is -- the next few pages are a translation
25 of House Resolution 188, and after that, it is the



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J. EL KOURY

Spanish language version of that same resolution.

Have you seen House Resolution 188
before?

A. Yes, sir.

Q. How did that resolution come to your
attention?

A. It was part of the budget certification
process with which I was involved.

Q. How was it part of the budget
certification process?

A. My recollection is that just like with
the fiscal plan, there is a process by which we
exchange budget resolutions in order to finally
arrive at a certified version.

Q. When did you first see the budget
resolution that ended up becoming Resolution 188?

A. Sometime in June 2017.

Q. And how did it come to your attention?

A. As part of the certification process, in
preparing the certification resolution, I would have
to include the budget resolutions as exhibits.

Q. Who gave you the draft of this budget
resolution?

MS. DALE: Objection to the form.



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J. EL KOURY

Misstates the testimony.

A. It would have some -- I actually believe it came from our advisors who were looking at this, at the budget resolutions, probably Ernst & Young.

Q. Did this document go through different versions before it became final?

A. I believe so, yes.

Q. Who participated in revising the document?

A. That would have been principally Ernst & Young.

Q. What decisions or subtractions to the document were made by the board?

A. I don't have specific information on that.

Q. Can you think of anything that the board added or subtracted from the draft resolution?

A. The only thing that comes to my mind was on the eve of approving -- certifying the budget resolution, there were line items having to do with not-for-profit organizations in Puerto Rico that we wanted certain funding to be consistent.

Q. Okay. So let's go, if we could -- let's go to the -- let's go to page 2 of our exhibit. It



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starts with the statement of legislative intent and goes down to the resolution itself.

Do you see how it's structured?

A. Yes, sir.

Q. Section 1 says: The amount of 390,480,000 is allocated under the custody of the Office of Management and Budget for payment of pensioners in the central government and Judiciary Retirement Systems and the Teachers Retirement System arising from the sale of assets or available funds from the central government and Judiciary Retirement System and the Teachers Retirement System.

Do you see what I just read?

A. Yes, sir.

Q. Did that reflect assets or money that was realized by selling assets of the retirement systems?

MS. DALE: Objection to the form of the question.

A. I read what is on the page, and that seems to be what it says.

Q. Do you know why that amount was specified?



1 J. EL KOURY

2 A. No, sir.

3 Q. Who came up with that number, if you
4 know?

5 A. No, sir.

6 Q. And the next page, section 2, it says:
7 The central government and Judiciary Retirement
8 System and the Teachers Retirement System are
9 ordered to sell their assets and to transfer the net
10 cash proceeds in addition to any available funds
11 into the treasury secretary's account.

12 Do you see what I just read?

13 A. Yes.

14 Q. Did, in fact, those retirement systems
15 sell their assets and transfer the net cash proceeds
16 to the treasury secretary's account?

17 A. I do not know.

18 Q. Do you know what this means when it says
19 treasury secretary's account?

20 A. No, sir.

21 Q. Section 4 has five subparagraphs, and I
22 would like to go through each of them with you.

23 The first says: The general fund
24 through the Pay as You Go system shall assume any
25 payments that the three retirement systems cannot



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make.

Do I understand correctly that if there's a shortcoming in funding, it means the general fund will make those payments?

A. I read what is on the page, and that seems to be the purpose of that.

Q. Okay. The second says: The three retirement systems shall continue to meet their obligations to the beneficiaries and pensioners by contributing available funds and funds arriving from the sale of their assets to the general fund.

Does that refer to what we saw before, that they had been directed to sell their assets and transfer the net cash proceeds to the treasury secretary's account?

MS. DALE: Objection to the form.

You can answer.

A. That seems to be what it says on the page.

Q. That was your understanding of this budget resolution?

A. It is my understanding now. I had not read those words when this was first presented to me as part of the certification process.



1 J. EL KOURY

2 Q. So you did see it as part of the
3 certification process, but as you sit here today,
4 you don't remember focusing on those words?

5 A. That's correct.

6 Q. Okay. Paragraph 3 says: Employer
7 contributions by the central government, public
8 corporations, and municipalities to the Puerto Rico
9 Government Employee Retirement System and the
10 Teachers Retirement System shall be eliminated.

11 What did you understand this part of
12 the resolution to do?

13 A. As I read those words, they -- they
14 suggest that those contributions shall not be
15 required going forward.

16 Q. How long had it been -- how long -- let
17 me start over again.

18 For how many years had the central
19 government, public corporations, and
20 municipalities made employer contributions to
21 those retirement systems?

22 MS. DALE: Objection. Outside the
23 scope of the topics that he's prepared to
24 testify to.

25 If you know the answer, you can answer.



1 J. EL KOURY

2 A. I do not know the answer.

3 Q. And how were those employer contributions
4 calculated, if you know?

5 A. I do not know.

6 Q. Do you know the general level of
7 contributions in terms of what they totaled to in
8 any given year?

9 A. No, sir.

10 Q. Okay. Do you know why they were being
11 eliminated?

12 A. No, sir.

13 Q. It goes on to say, that same sentence:
14 Given the burden that the representative payments to
15 these systems pensioners places on the general fund.

16 What does that -- did you understand
17 what that language was intended to mean?

18 MS. DALE: Objection to the form.

19 A. No, sir.

20 Q. Paragraph 4, it says: The obligation to
21 pay the additional uniform contribution shall be
22 eliminated.

23 Do you see that?

24 A. Yes, sir.

25 Q. I asked you before about the additional



1 J. EL KOURY

2 uniform contribution, and my recollection was you
3 weren't familiar with it; is that fair to say?

4 A. Yes.

5 Q. Do you know what this language was
6 intended to do?

7 A. No, sir.

8 Q. Okay. Number 5 says: The Puerto Rico
9 Fiscal Agency and Financial Advisory Authority
10 (AAFAF) shall establish and implement all mechanisms
11 necessary so that the central government, the
12 municipalities, and the public corporations may
13 contribute to financing the Pay as You Go system.

14 Do you know why it was that AAFAF was
15 directed to do this?

16 A. No, sir.

17 Q. It speaks of establishing and
18 implementing all mechanisms.

19 Do you know what mechanisms in
20 particular were being considered?

21 A. No, sir.

22 Q. Do you know whether at the time this
23 joint resolution was enacted any mechanisms had
24 already been decided upon?

25 A. No.



1 J. EL KOURY

2 Q. As you sit here today, do you know what
3 those mechanisms are?

4 A. I understand it was legislation.

5 Q. Okay. All right.

6 MS. DALE: May we have a break?

7 MR. STEWART: Yes. Not a problem.

8 We've been on the record an hour and 15
9 minutes. Let's take a break.

10 THE VIDEOGRAPHER: Off the record 11:18
11 a.m.

12 (Whereupon, there was a pause in the
13 proceeding.)

14 THE VIDEOGRAPHER: We are back on the
15 video record at 11:29 a.m.

16 (Whereupon, a fiscal plan was marked as
17 Exhibit 9 for identification, as of this
18 date.)

19 Q. Mr. El Koury, the reporter's put before
20 you the document marked as Exhibit 9.

21 Have you seen Exhibit 9 before?

22 A. Yes, sir.

23 Q. Is this the fiscal plan certification you
24 referred to a few minutes ago?

25 A. Yes, sir.



1 J. EL KOURY

2 Q. What is Exhibit 12?

3 A. It is Law Number 106.

4 Q. What is Law Number 106, if you know?

5 A. To the best of my understanding, it is
6 the law that implements the Pay as You Go system,
7 among other things.

8 Q. Okay. When did you first see Law 106 or
9 any draft of Law 106?

10 A. This would have been in 2018.

11 Q. So you saw it after it had been enacted?

12 A. Yes, sir.

13 Q. And you did not even see drafts of 106
14 before 2018?

15 A. No, sir.

16 Q. Do you know why it was you didn't see it
17 until 2018 when the law had been passed in 2017?

18 A. So we have a process by which laws that
19 are enacted by the Commonwealth have to be submitted
20 to us under section 204 of PROMESA with certain
21 certifications by the government.

22 This law did not come to us until, I
23 believe, March or April of 2018. There was
24 backlog of submissions under Section 204 by the
25 government of laws that had been enacted because



1 J. EL KOURY

2 of the hurricane and similar circumstances.

3 Q. By the time this law came to you, was it
4 already a law that was in effect in Puerto Rico?

5 A. As I understand it, yes.

6 Q. In other words, Law 106 did not require
7 the board's approval in order to become effective?

8 A. Under PROMESA, it does not require our
9 approval.

10 Q. What, if anything, did the board do with
11 respect to Law 106?

12 MS. DALE: Objection to the form of the
13 question.

14 A. To the best of my recollection, nothing.

15 Q. Okay.

16 (Whereupon, Requirement 6 was marked as
17 Exhibit 13 for identification, as of this
18 date.)

19 Q. Mr. El Koury, the court reporter has
20 placed before you Exhibit 13.

21 Have you ever seen Exhibit 13 before or
22 any report like Exhibit 13?

23 A. I saw Exhibit 13 yesterday for the first
24 time.

25 Q. Until preparation for your deposition,



1 J. EL KOURY

2 you had not seen it, correct?

3 A. That's correct.

4 (Whereupon, a law was marked as Exhibit
5 14 for identification, as of this date.)

6 Q. Mr. El Koury the reporter's placed before
7 you Exhibit 14.

8 Do you know what Exhibit 14 is?

9 A. Yes.

10 Q. What is Exhibit 14?

11 A. It is a law that exempts the
12 municipalities from payment from Pay as You Go and
13 payments of healthcare contributions.

14 Q. What was the payments for Pay as You Go
15 sometimes called -- are they sometimes called Pay-Go
16 fees? Have you heard that term used before?

17 A. Generally.

18 Q. Okay. And what is the function of Pay-Go
19 fees under the Pay-Go system?

20 A. To fund the pension payments.

21 Q. Okay. And who makes or made Pay-Go fees?

22 A. I understand that it's the central
23 government, municipalities, and public corporations.

24 Q. Do you know who the Pay-Go fees are paid
25 to?



1 J. EL KOURY

2 A. To the central treasury, I believe.

3 Q. Directly to the central treasury?

4 A. To the best of my knowledge, yes.

5 Q. Do you know how the Pay-Go fees are
6 calculated?

7 A. No, sir.

8 Q. Or who calculates them?

9 A. No, sir.

10 Q. Do you know -- I think you've said that
11 -- and I apologize if I poorly paraphrase what you
12 said -- that this law, S1258, exempted
13 municipalities from making Pay-Go fees?

14 A. Yes, sir.

15 Q. Is it in effect today? Do you know?

16 A. Yes, sir.

17 Q. Was this a law that had to be sent to the
18 board for any reason?

19 A. Yes, sir.

20 Q. And did the board, in fact, get a copy
21 and look at it?

22 MS. DALE: Objection. Timing. Before
23 it was? After?

24 Q. Before it was enacted, did the board see
25 a draft or version of that?



1 J. EL KOURY

2 A. Yes, sir.

3 Q. When did the board for the first time see
4 a version of what became S1258?

5 A. I believe sometime in April.

6 Q. The law purports to be dated April 30,
7 2019. Do you know how long before the 30th of April
8 the version of this came to the board?

9 A. No, sir.

10 Q. Was it days or weeks or --

11 A. It could have been --

12 MS. DALE: Objection. If you don't
13 know --

14 A. I don't know.

15 Q. Some point in April?

16 A. Some point in April.

17 Q. By the way, did it come to you or did it
18 come to somebody else?

19 A. It came to somebody else.

20 Q. And did they then refer it to you?

21 A. I was copied on it.

22 Q. What, if anything, was done in response
23 when the board got this to this proposed
24 legislation?

25 MS. DALE: Objection to the form. And



1 J. EL KOURY

2 also to the extent that you should carve out
3 from your answer any deliberations that were
4 had in answering Mr. Stewart's question.

5 A. I believe the board responded in a letter
6 to this -- to this proposed bill.

7 Q. All right. Has the board done any
8 analysis of the effect of this S1258 upon the Puerto
9 Rico pension systems?

10 MS. DALE: That would be a yes or a no.

11 A. Yes.

12 Q. Who from the board conducted that
13 analysis?

14 A. That would be our advisors, Ernst &
15 Young.

16 Q. Do you know when Ernst & Young did this?

17 A. There is -- it is an ongoing process.

18 Q. Would that be the same two people from
19 Ernst & Young you identified to me earlier?

20 A. Yes.

21 Q. Those are --

22 A. And I think there would be a third.

23 Q. Who is the third?

24 A. Juan -- his last name is Santo Giglio.
25 It's an Italian last name.



1 J. EL KOURY

2 Q. Since I don't remember where I wrote the
3 other two names down, who are the other two?

4 A. Adam Chepenik. I would say it would be
5 Adam and Juan. I don't know if --

6 Q. Okay. If we look at page 2 of Exhibit 14
7 in the second full paragraph, it refers to a body
8 called Municipal Revenue Collection Center, CRIM.

9 A. Yes, sir.

10 Q. What is CRIM?

11 A. To the best of my knowledge, they are in
12 charge of collecting property taxes in Puerto Rico.

13 Q. It mentions here something called an
14 equalization fund at CRIM.

15 Do you know what that is?

16 A. No, sir.

17 Q. This paragraph seems to suggest that
18 certain monies are going to be retained in the
19 equalization fund that otherwise would have gone to
20 the Pay as You Go fee.

21 Do you see that reference?

22 A. Yes.

23 Q. Do you understand why that works?

24 A. No, sir.

25 Q. Or why it was done this way?



1 J. EL KOURY

2 A. No, sir.

3 (Whereupon, a letter was marked as
4 Exhibit 15 for identification, as of this
5 date.)

6 Q. Mr. El Koury the court reporter has
7 placed before you Exhibit 15. Can you tell me what
8 Exhibit 15 is.

9 A. It's a letter from the The Financial
10 Oversight and Management Board for Puerto Rico to
11 the secretary of the treasury, also the chief
12 financial officer of Puerto Rico, and also to the
13 executive director of the Retirement Board for
14 Puerto Rico.

15 Q. This is dated April 30, 2019?

16 A. Yes, sir.

17 Q. The same day as S1258 was -- the same
18 date that Exhibit 14 showed? In other words, that
19 was --

20 A. Correct.

21 Q. Do you know whether this letter was sent
22 before or after S1258 was introduced?

23 A. I do not know.

24 Q. Do you know whether this was the letter
25 you referred to that was sent to in response to



1 J. EL KOURY

2 S1258?

3 A. I believe so, yes.

4 Q. Did you see a draft of this letter before
5 it became final?

6 A. Yes, sir.

7 Q. And what was the purpose of this letter?

8 A. This is to call attention to the
9 deficiencies in the payments by public corporations
10 and municipalities of their Pay-Go obligations and
11 also to call attention, I believe -- if I could take
12 a minute.

13 MS. DALE: Take your time.

14 A. Yes. And also to call attention to the
15 failure to remit to the central government the
16 withholdings of employees' defined contribution
17 payments.

18 Q. Okay. Who is the main author of this
19 letter?

20 A. It was an effort both by our advisors,
21 including financial advisors and legal advisors, and
22 the board staff.

23 Q. Who from the board staff?

24 A. This would have been, to the best of my
25 knowledge, Ginorly, G-I-N-O-R-L-Y, Maldonado, our



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executive director, Natalie Deresco, and others.

Q. Were you involved?

A. I was involved in reviewing the letter.

Q. Okay.

Who from your advisors worked on it?

A. Ernst & Young and our local counsel,
O'Neill and Borges, B-O-R-G-E-S.

Q. And the same people from Ernst & Young
you referred to a few minutes ago?

MS. DALE: Objection. He's referred to
a few different people.

Q. Who from Ernst & Young?

A. Adam Chepenik, Juan --

MS. DALE: Name to be given to you
later.

A. -- and I believe others from EY, but I
cannot recall their names.

Q. What part of the letter did EY prepare?

MS. DALE: If you know.

Q. If you know?

A. I do not know.

Q. What part did O'Neill & Borges prepare?

A. I do not know.

Q. You see on page 2 and also on page 3



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there are tables containing financial information.

Do you know where that information came from?

A. I believe that it's the information that is referred to in the first sentence of the letter.

Q. The first sentence on the first page?

A. The first sentence on the first page.

Q. This is the latest -- it says: I write to you regarding the latest Pay-Go and individual contribution debt by entity report.

That's where it came from?

A. Yes, I believe so.

Q. And I showed you one of those a minute ago. I think it's Exhibit 13 in the stack in front of you.

Do you understand that's the type of report they're referring to?

A. I believe so.

Q. To your knowledge, is that report an accurate report?

A. To my knowledge, yes.

Q. And in this letter that's been marked as Exhibit 15, were steps taken before the letter went out to make sure that the financial information in



1 J. EL KOURY

2 the letter was complete and was accurate?

3 A. I do not know.

4 MS. DALE: Objection to the form.

5 Q. On page 3 of 4 the second full paragraph
6 begins with the words "as contemplated."

7 Do you see that?

8 A. Yes, sir.

9 Q. The first sentence says: As contemplated
10 in section 3.2 of Act 106-2017, remedial action must
11 be taken immediately to rectify this situation and
12 secure repayment for those overdue amounts.

13 Do you see what I just read?

14 A. Yes, sir.

15 Q. Is the remedial action set forth in the
16 subsequent paragraphs of the letter?

17 A. I believe so.

18 Q. Was this remedial action, in fact, taken
19 with respect to the municipalities?

20 MS. DALE: Objection to the form.

21 A. I believe there were subsequent -- there
22 were subsequent correspondence to that effect.

23 Q. Did the municipalities eventually pay the
24 money they owed?

25 A. I do not know.



1 J. EL KOURY

2 Q. Was remedial action taken with respect to
3 the public corporations?

4 A. I do not know.

5 Q. As we sit here today, do you know if the
6 public corporation have made the Pay-Go
7 contributions that they were in arrears on?

8 A. I do not know.

9 Q. Let me go back to an earlier topic.
10 You're aware, are you not, that in 2008, the
11 employment retirement system issued bonds to the
12 investing public to raise money to improve the
13 liquidity of the ERS system?

14 A. I am generally familiar with that.

15 Q. Have you ever read the bond resolution
16 that was promulgated in connection with that bond
17 issue?

18 A. No, sir.

19 MS. DALE: I'm going to object, because
20 it's outside the scope of the topics he's
21 prepared for.

22 But go ahead.

23 Q. Do you have any knowledge of whether the
24 bonds are secured or not secured?

25 A. No, sir.



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2 Q. Do you know whether they're
3 collateralized upon anything?

4 A. No, sir.

5 Q. At any point did you investigate --
6 MR. STEWART: I withdraw that.

7 Q. At any point, have you learned what
8 collateral the bondholders claim they have securing
9 their bonds?

10 MS. DALE: Objection. Outside the
11 scope.

12 MR. STEWART: It's actually
13 foundational for topic 1.

14 MS. DALE: Understood.

15 In answering that question, I guess you
16 can answer it yes or no at this point.

17 A. Yes.

18 Q. What do you understand the bondholder's
19 position is with respect to the collateral securing
20 their bonds?

21 MS. DALE: I'm going to object and
22 direct you in answering that question not to
23 disclose information you have obtained from
24 counsel. So if there's information that you
25 have that you did not obtain from counsel,



1 J. EL KOURY

2 you can answer it.

3 A. Can you repeat the question.

4 MR. STEWART: Reread the question.

5 (Whereupon, the requested portion of
6 the record was read.)

7 A. Based on general information that they
8 have collateral in the employer contributions.

9 Q. What's the source of your information on
10 that?

11 A. Reorg research.

12 Q. Other than reorg research, do you have
13 any other source of information on that subject?

14 A. No.

15 Q. Do you have knowledge of what the amount
16 of those employer contributions was at any time
17 since May -- since you joined the board in February
18 2017?

19 A. I believe I answered that question
20 before, but I will say no again.

21 Q. Okay. Do you know what the mechanism was
22 by which the employer contributions are said to have
23 collateralized the bonds?

24 A. I believe I answered the question before.
25 The answer is no.



1 J. EL KOURY

2 Q. Do you know, as you sit here today, the
3 total amount of employer contributions that are
4 received each month by the treasury from any source?

5 MS. DALE: Objection to the form.

6 A. No, sir.

7 Q. As you sit here today, do you know of any
8 prospect that those employer contributions are going
9 to increase or decrease?

10 MS. DALE: Objection to the form.

11 A. No, sir.

12 Q. If you needed to determine the amount of
13 Pay-Go fees that had been collected for any period,
14 where would you go to get that information?

15 A. I would -- I don't think that information
16 is publicly available. I would have to see if
17 somehow the board has that information.

18 Q. Same answer -- if I were to ask you if
19 you need to to obtain information about the source
20 of the Pay-Go fees that had been collected?

21 A. Yes.

22 Q. Do you know how the central government
23 actually pays its Pay-Go fees?

24 A. No, sir.

25 (Whereupon, a fiscal plan was marked as



1 J. EL KOURY

2 Exhibit 16 for identification, as of this
3 date.)

4 Q. Mr. El Koury, the report's placed before
5 you Exhibit 16.

6 Have you seen Exhibit 16 before?

7 A. Yes, sir.

8 Q. Is this the current fiscal plan for
9 Puerto Rico?

10 A. Yes, sir.

11 Q. And it's been certified by the board?

12 A. Yes.

13 Q. I'm going to simply ask you about two
14 parts of it.

15 Is it still the case that the budget
16 for Puerto Rico anticipates a 10 percent reduction
17 in pension benefits?

18 A. Could I have a clarification.

19 Q. Why don't we go to page 130?

20 MS. DALE: 130?

21 MR. STEWART: 130.

22 Q. Do you have page 130 before you?

23 A. Yes, sir.

24 Q. This speaks, does it not, of a 10 percent
25 pension benefit reduction?



1 J. EL KOURY

2 A. Yes, sir.

3 Q. Is it still in the Puerto Rico certified
4 fiscal plan that pension benefits are to be reduced
5 by 10 percent?

6 A. Yes, sir.

7 Q. Do you know of any proposal to change
8 that?

9 MS. DALE: You can answer that yes or
10 no.

11 A. Could I speak with counsel?

12 Q. Sure.

13 THE VIDEOGRAPHER: Off the record,
14 12:00.

15 (Whereupon, there was a pause in the
16 proceeding.)

17 THE VIDEOGRAPHER: We're back on the
18 video at 12:04 p.m.

19 MR. STEWART: Can you reread the last
20 question, Missy.

21 (Whereupon, the requested portion of
22 the record was read.)

23 MS. DALE: And the reference to "that,"
24 I think, is to the fiscal plan section 16.2.2
25 that you had pointed us to.



1 J. EL KOURY

2 A. No.

3 Q. Let's go, if we could, to page 123. Do
4 you see where it says chapter 15, reduction and
5 appropriations to UPL and municipalities?

6 A. Yes.

7 Q. Does the fiscal plan also provide for
8 reductions in the amount of appropriations they
9 would have received from the Commonwealth in fiscal
10 year 2018?

11 A. Yes.

12 Q. Is that still part of the fiscal plan?

13 A. Yes, sir.

14 Q. Do you know of any proposals to increase
15 the appropriations municipalities are to receive
16 from the Commonwealth from what the fiscal plan
17 provides today?

18 A. Could you repeat the question.

19 (Whereupon, the requested portion of
20 the record was read.)

21 A. Yes.

22 Q. Okay. What are the proposals?

23 A. I believe it is -- as part of the ongoing
24 budget process, the --

25 MS. DALE: I have to just jump in, and



1 J. EL KOURY

2 I apologize. I don't want you to disclose
3 deliberations that are pre-decisional at this
4 point regarding the budget that's being
5 considered.

6 But to the extent there's information
7 you can answer that does not include
8 discussions and deliberations regarding that
9 budget process, you may answer.

10 A. I believe that the government is
11 proposing as part of the budget to increase the
12 appropriations directly or indirectly to take into
13 account what PS1258 -- the effect of PS1258.

14 Q. Increase of appropriations to who?

15 A. Municipalities.

16 Q. So municipalities would no longer have to
17 make Pay-Go fees and also would get a higher
18 appropriation from the central government?

19 A. I don't know if it's they would get a
20 higher. It would be a way of funding the fact that
21 they would not be making any Pay-Go payments.

22 Q. If you know, would the appropriation
23 operate to simply replace in terms of the budget the
24 money that municipalities otherwise would have
25 contributed in Pay-Go fees?



1 J. EL KOURY

2 A. That's my understanding.

3 Q. Do you know if there's any pending
4 proposal to change the manner in which public
5 corporations make their Pay-Go fees?

6 A. No.

7 Q. Okay.

8 Do you know how much in assets ERS
9 continues to hold?

10 A. No, sir.

11 Q. Or why they continue to hold whatever
12 amount it is that they hold?

13 A. No, sir.

14 MR. STEWART: That is all I have.

15 Thank you.

16 EXAMINATION BY

17 JESSE GORDON, ESQ.:

18 (Whereupon, an email was marked as
19 Exhibit 17 for identification, as of this
20 date.)

21 Q. Good afternoon. I'm Jesse Green from
22 White & Case. I represent the Puerto Rico funds.

23 In front of you you have Exhibit 17,
24 and I want to focus you on the second email on the
25 -- starting at the point of the page. It's from



1 J. EL KOURY

2 Mr. Chepenik to Mr. Portela Franco.

3 Do you know who Portela Franco is?

4 A. Yes.

5 Q. Who is he?

6 A. He is -- he was for some time the
7 executive director of AAFAF.

8 Q. Do you know if he was the executive
9 director of AAFAF on May 26, 2017?

10 A. I believe so.

11 Q. Mr. Chepenik writes: Hi, Gerry. Just
12 wanted to follow up with you on the ERS pension
13 contribution question that was raised earlier today.
14 The board discussed the request and would like to
15 proceed with the current plan for ERS in the budget
16 which includes having the ERS system transition to
17 Pay-Go by July 1st. After that date, no further
18 employer contributions would be made to ERS.

19 Do you see that?

20 A. Yes, sir.

21 Q. Do you know what he's referring to when
22 it says the ERS contribution question?

23 A. No, other than as illustrated in the next
24 paragraph.

25 Q. Do you have any recollection of any

